Star BUSINESS

Current account turns negative as external balance stays shaky

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Bangladesh's current account balance -- a measure of the country's financial transactions with the rest of the world -- has slipped back into deficit, signalling a slightly uncomfortable situation in the external economy.

The main culprit is a widening gap in the service account, driven by rising transportation costs.

Meanwhile, the financial account, which tracks foreign investments and loans, has seen a reduced surplus due to higher short-term foreign loan repayments.

Zahid Hussain, former lead economist of the World Bank's Dhaka office, said Bangladesh's balance of payments remains fragile though there has been a sense of optimism among officials.

While exports have grown and the trade deficit has improved slightly, he sees issues in the country's ability to manage external payments, especially if import costs rise further.

According to Bangladesh Bank (BB) data, the current account deficit stood at $552 million in the July-January period of fiscal year (FY) 2024-25, compared to a $56 million surplus in July-December.

The deficit was $4.2 billion in the corresponding period of the previous fiscal year.

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Revenue Tk 52,000cr short of IMF target for Jul-Dec

REJAUL KARIM BYRON *and* ASIFUR RAHMAN

Revenue collection fell significantly short of the International Monetary Fund's (IMF) target in the first six months of the current fiscal year, with the floor for the fourth instalment of an ongoing $4.7 billion loan programme proving too ambitious.

The government raised Tk 162,892 crore in total revenue, including from both National Board of Revenue (NBR) and non-NBR sources, according to finance ministry data, missing the IMF's target to collect Tk 215,120 crore by Tk 52,228 crore.

Bangladesh needed to achieve 34 percent growth in tax collection to meet the goal set in the current fiscal year's budget, meaning it was always going to be an uphill battle.

The revenue collection remained largely static compared to the Tk 162,262 crore recorded during the same period of the preceding year, reflecting sluggish growth.

According to finance ministry data, the NBR collected Tk 159,137 crore in the first six months of FY25, a marginal increase from the Tk 158,482 crore collected in the same period of the year prior.

However, the contribution from non-NBR sources declined slightly to Tk 3,755 crore from Tk 3,780 crore in the same period.

Although only around 50 percent of its non-NBR revenue collection target could be met last fiscal year, the Awami League government fixed an ambitious target for the current fiscal year before being ousted by a mass uprising in August last year.

The IMF was supposed to disburse the fourth instalment in February this year but deferred it to June, according to government officials.

A review mission from the IMF will visit Bangladesh next month.

Finance ministry officials said some prior actions required from the Bangladesh Bank and the NBR were not implemented, which resulted in the deferred disbursement. The prior actions were outlined by a review mission in December last year.

Until now, tax collection targets have not been included as a quantitative performance criterion (QPC), a mandatory benchmark that Bangladesh must meet to unlock IMF loan instalments.

However, during the December visit, the IMF mission indicated that they would make tax collection a QPC, increasing pressure on the government to strengthen revenue generation efforts.

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Mongla port to get Tk 4,000cr equipment from China

STAR BUSINESS REPORT

The government is set to purchase various equipment for Mongla port, Bangladesh's second-largest seaport, from China under a government-to-government arrangement for Tk 4,046 crore.

The initiative was approved by the advisory committee on purchase yesterday.

According to a Cabinet Division statement, the items will be directly purchased from the state-owned enterprise China Civil Engineering Construction Corporation (CCECC).

The purchase will be made under a Tk 4,068.23 crore project, which was approved by the Executive Committee of the National Economic Council on February 2 this year, for the expansion and modernisation of Mongla port.

Of the project cost, Tk 475.33 crore will be borne by the government of Bangladesh, while the remaining Tk 3,592.90 crore will be sourced as a loan from China.

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Bangladesh eyes Pakistan as emerging sourcing destination

REFAYET ULLAH MIRDHA

Bangladesh stands to benefit from enhanced trade ties with Pakistan as local traders are optimistic about getting more competitive prices and a broader range of raw material sources.

Currently, trade dynamics favour Pakistan, with Bangladesh importing cotton, yarn, fabrics, and essential commodities from the country.

However, these imports are still considerably lower than those from China and India -- Bangladesh's top two trading partners.

Historically, the trade relationship between Bangladesh and Pakistan has been lukewarm, preventing Pakistan from becoming a major sourcing hub.

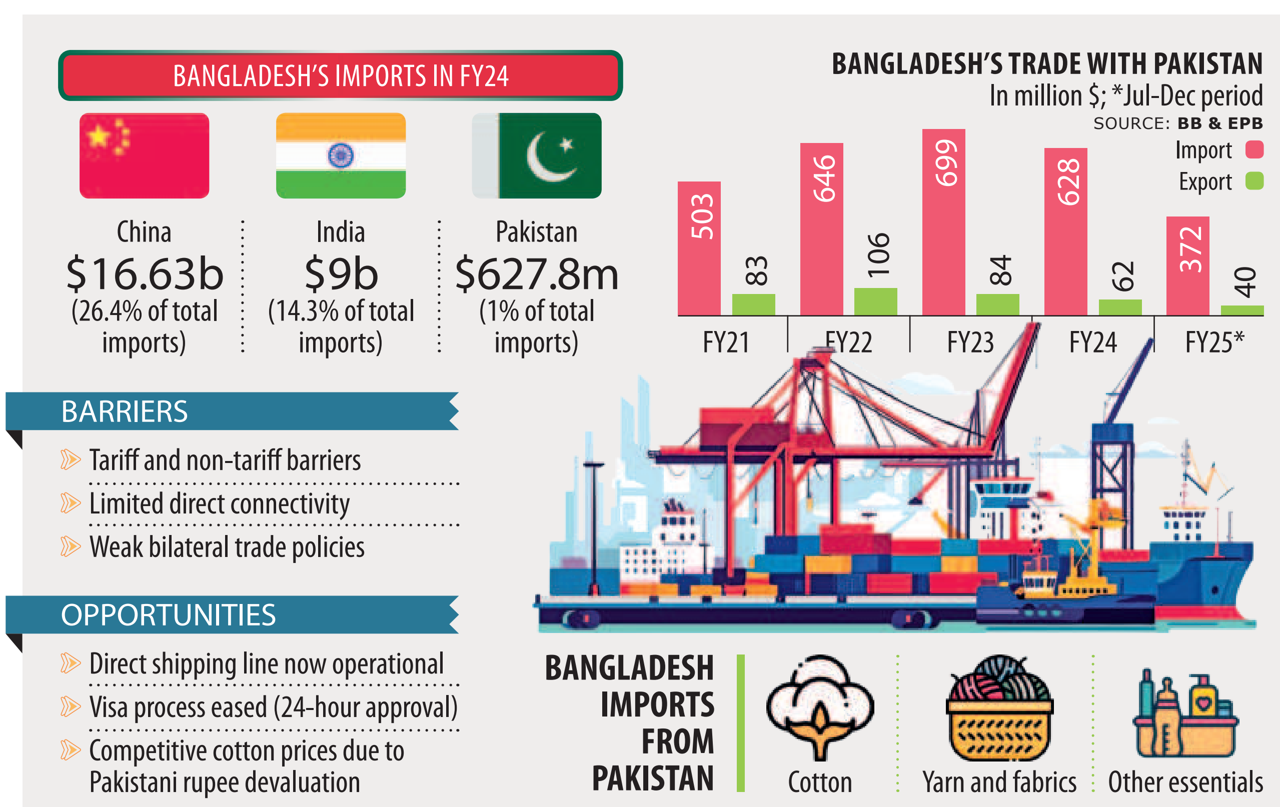
For instance, Bangladesh exported goods worth $39.77 million to Pakistan in the July-December of the current fiscal year, according to the Export Promotion Bureau (EPB).

In the fiscal year 2023-24, Bangladesh's exports to Pakistan totalled $61.98 million, a 31.78 percent decline from $83.59 million in 2022-23.

This was far outweighed by Bangladesh's imports from Pakistan, which stood at $372.1 million in the July-December period of FY25, according to Bangladesh Bank data. In FY24, imports from Pakistan amounted to $627.8 million, down from $698.7 million in FY23.

Although there are no formal trade restrictions between the two South Asian neighbours, Pakistan has yet to emerge as a major sourcing destination due to weak trade relations.

In FY24, Bangladesh imported goods worth $16.63 billion from China,



representing 26.4 percent of the country's total imports for that year. That same year, imports from India stood at $9 billion, accounting for 14.3 percent of Bangladesh's total imports.

By contrast, imports from Pakistan amounted to just $627.8 million, or 1 percent of the total, making Pakistan Bangladesh's 20th largest import destination.

A majority of this amount, $476.3 million, was spent on cotton imports.

Mohammad Abdur Razzaque, chairman of Research and Policy Integration for Development, said that Bangladesh needs a reliable, competitive and diversified supply of key commodities, including food and energy, for future economic growth.

Pakistan could be a valuable sourcing destination in this regard, increasing competition among supplying countries, he added.

The economist said that tariff and non-tariff barriers should be discussed and rationalised between the two governments.

Although Bangladesh enjoys trade privileges with Pakistan under the South Asian Free Trade Agreement as a least developed country, the benefit remains minimal due to low export volumes.

Razzaque does not see an immediate need for a Free Trade Agreement with Pakistan, saying such deals may be prioritised with major trading partners. Moreover, a boost in trade between Bangladesh and Pakistan could also enhance intra-regional commerce in South Asia.

Currently, intra-regional trade accounts for less than 5 percent of South Asia's total overseas trade, partly due to the limited effectiveness of the South Asian Association for Regional Cooperation (Saarc), which was established in 1985 to increase economic collaboration.

Abul Kasem Khan, former president of the Dhaka Chamber of Commerce and Industry (DCCI), said Bangladesh would benefit from expanding trade with Pakistan, which has been largely stagnant for the past 15 years.

"It would be a positive development for business," he said, highlighting price competitiveness as a key factor.

Khan said Bangladesh could source Pakistani cotton and denim fabrics at lower, more competitive prices.

Mir Nasir Hossain, a former president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), echoed a similar view.

Expanding trade with Pakistan would offer Bangladesh more sourcing options and diversified connectivity, he said, adding that Bangladesh could also increase its exports of jute and tea to Pakistan.

He recalled that during his tenure as FBCCI president in 2005, bilateral trade talks between the two countries gained momentum, but negotiations later stalled.

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Bangladesh beats competitors in RMG export growth to US

REFAYET ULLAH MIRDHA

Bangladesh has outperformed competitor countries to attain the highest year-on-year growth in apparel shipments to the US market in January, as American retailers and brands are placing large volumes of work orders here to capitalise on the favourable tariff regime.

In January, garment exports to the US from Bangladesh increased by 45.93 percent year-on-year to $799.65 million, according to data from the Office of Textiles and Apparel (OTEXA) of the US.

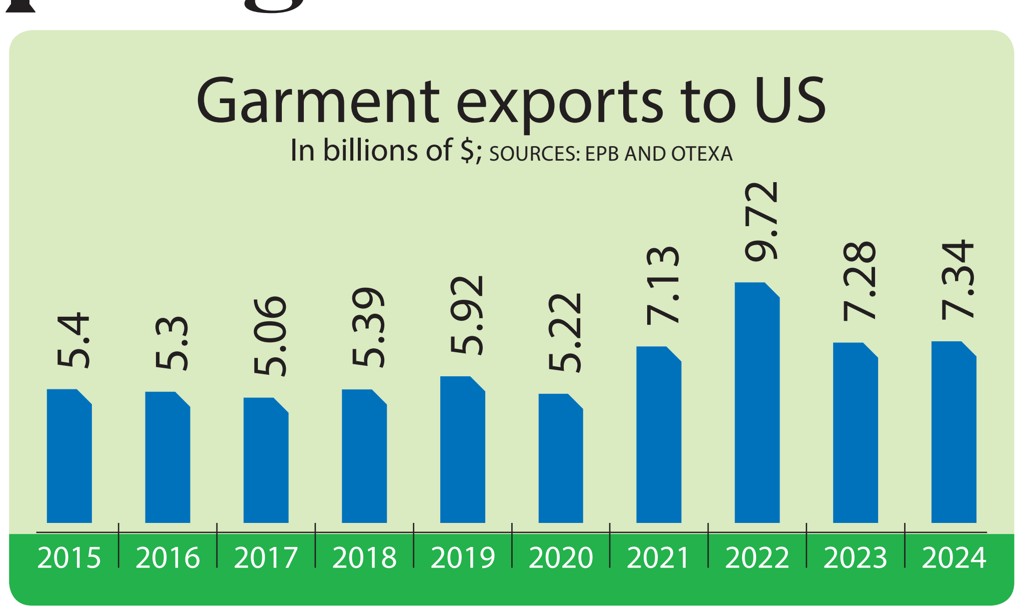
Exporters said this happened as the Trump administration raised tariffs on imports from China and Mexico, creating an advantage for Bangladesh in the US market.

In the run-up to the presidential election, Trump had declared that he would impose high tariffs on goods imported from China, Mexico, and other countries if elected.

Right after taking office, he increased the tariff on Chinese goods from 25 percent, which he had set during his last tenure as US president, to 35 percent.

On the other hand, Bangladeshi exporters have long faced a 15.62 percent duty on exports to the US. Under the current circumstances, Bangladesh has the opportunity to increase exports to the US.

In January, the US imported garment items worth $7.20 billion from all over the world,



marking a year-on-year growth of 19.46 percent.

Meanwhile, China's apparel exports to the US rose by 13.72 percent to $1.60 billion.

Correspondingly, Vietnam secured 19.90 percent growth to reach $1.44 billion, India 33.64 percent to $473.27 million, Indonesia 41.70 percent to $419.95 million, Cambodia 29.95 percent to $324.99 million, and Mexico 1.20 percent to $193.70 million.

For Pakistan, it was 17.50 percent to $179.73 million, whereas for Korea, it was 5.54 percent to $16.43 million. Honduras witnessed a decline of 26.10 percent to $112.02 million, according to the OTEXA.

In the July-February period of the current fiscal year 2024-25, Bangladesh's garment exports worldwide totalled $26.80 billion.

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Policy gaps hinder SDG progress: experts

STAR BUSINESS REPORT

Despite progress in corporate social responsibility (CSR) and green initiatives, systemic barriers, poor policy alignment, and a lack of effective public-private collaboration continue to hinder Bangladesh's achievement of Sustainable Development Goals (SDGs), experts said.

"Adopting a sustainable business model without creating a favourable business environment for the private sector would be contradictory," said Debapriya Bhattacharya, a distinguished fellow at the Centre for Policy Dialogue (CPD).

He made the remarks while summarising discussions among business leaders during a consultation on the "National SDG Report (NVR) 2025: Perspectives of Business Leaders," organised by the Citizen's Platform for Sustainable Development Goals (SDGs), Bangladesh, at the Bangladesh-China Friendship Exhibition Centre in the capital's Agargaon yesterday.

Bhattacharya emphasised that Bangladesh's investment climate must be improved, with greater support from government officials, to establish a sustainable business model.

He also stressed the importance of transparent monitoring platforms to assess advancements in sustainability and highlighted that ethical leadership is crucial for development.

Additionally, he called for institutionalised monitoring and evaluation at the policy level to ensure transparency.

Regarding CSR and policy implementation, Bhattacharya advocated for better organisation of CSR funding in Bangladesh.

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Russia seeks continuity of Gazprom's work in Bangladesh

STAR BUSINESS REPORT

Russia has sought the cooperation of Chief Adviser (CA) Prof Muhammad Yunus to ensure the continued operations of the state-owned Russian company Gazprom International in gas exploration.

The request was made by Alexander G Khozin, the Russian ambassador to Bangladesh, during a meeting with the CA at the State Guest House Jamuna in Dhaka yesterday, according to a statement.

Gazprom has been active in Bangladesh since 2012, partnering in the exploration of gas reserves. In 2023, Gazprom International identified five new wells for further exploration in Bhola, an island off the southern coast.

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